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ACTION DRL-02

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	DODE-00	ITCE-00
	DATE-00	WHA-00	SRPP-00	EAP-00	EB-00	EXME-00	E-00
	FAAE-00	FBIE-00	UTED-00	VC-00	FRB-00	H-01	TEDE-00
	INR-00	IO-00	ITC-01	LAB-01	L-00	VCE-00	MOFM-05
	MOF-01	AC-01	NSAE-00	NSCE-00	OES-01	OIC-02	OMB-01
	OPIC-01	PC-01	PRS-00	ACE-00	P-00	SP-00	IRM-00
	SSO-00	SS-00	STR-00	TEST-00	TRSE-00	USIE-00	PRM-00
	G-00	NFAT-00	SAS-00	SWCI-00	/019W		

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FM AMEMBASSY HANOI

TO SECSTATE WASHDC 5247

INFO DEPTL LABOR WASHDC

USDOC WASHDC

AMEMBASSY PHNOM PENH

AMCONSUL HO CHI MINH CITY

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SIPDIS

STATE FOR DRL DAS JSCARPENTER, DRL/IL GWHITE
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E.O. 12958:N/A

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TAGS: ELAB ETRD ECON PHUM VM CB LABOR

SUBJECT: VIETNAM: SRILA POLASKI BRIEFS GVN OFFICIALS ON
LABOR PROVISIONS IN THE US-CAMBODIA TEXTILE AGREEMENT

REF: A) HANOI 80; B) HANOI 60

¶11. SUMMARY: STATE DEPARTMENT SPECIAL REPRESENTATIVE FOR
INTERNATIONAL LABOR AFFAIRS (SRILA) SANDRA POLASKI BRIEFED
VIETNAMESE TRADE AND LABOR OFFICIALS AND INDUSTRY
REPRESENTATIVES ON THE LABOR PROVISIONS OF THE U.S.-CAMBODIA
TEXTILE AGREEMENT. BECAUSE NEITHER THE U.S. NOR VIETNAM HAS
YET MADE AN INTERNAL DECISION ABOUT THE CONTENTS OF A
TEXTILES AGREEMENT OR A NEGOTIATING TIMETABLE, MS. POLASKI
PROVIDED GENERAL INFORMATION ON THE APPROACH THE U.S. USED
WITH CAMBODIA AND THE SUCCESSFUL RESULTS, IN THE U.S. VIEW,
FOR BOTH PARTIES. WHILE THE BRIEFING WAS WELL RECEIVED,
VICE MINISTER OF TRADE LUONG VAN TU MADE IT CLEAR THAT THE
GVN CONTINUES TO HAVE DOUBTS ABOUT THE NECESSITY OF A
TEXTILES AGREEMENT. HOWEVER, IN A SUBSEQUENT MEETING WITH
THE AMBASSADOR, THE MINISTER OF TRADE INDICATED THE GVN IS
PREPARED TO "EXCHANGE VIEWS." IT IS IMPORTANT TO NOTE THAT
GVN AGREEMENT TO THE BRIEFING IS ITSELF A SUBTLE CHANGE FROM
ITS PREVIOUS RELUCTANCE TO DISCUSS POTENTIAL CONNECTIONS
BETWEEN TRADE AND LABOR ISSUES, INDICATING THAT WHILE THE
GVN DOES NOT AGREE, IT IS IN A LISTENING MODE. END SUMMARY

¶12. DURING HER VISIT TO HANOI (REF A), DECEMBER 19-22, SRILA
SANDRA POLASKI BRIEFED VICE MINISTER OF TRADE LUONG VAN TU
ON THE U.S. EXPERIENCE WITH THE LABOR PROVISIONS OF THE U.S.-
CAMBODIA TEXTILE AGREEMENT (THE TEXTILE AGREEMENT). VICE
MINISTER TU WAS JOINED BY MOT OFFICIALS FROM THE NORTH
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AMERICA OFFICE AND THE EXPORT-IMPORT MANAGEMENT DEPARTMENT,
NGUYEN MANH CUONG, DEPUTY DIRECTOR OF INTERNATIONAL
RELATIONS DEPARTMENT AT THE MINISTRY OF LABOR, SOCIAL
AFFAIRS AND INVALIDS (MOLISA) AND MR. NGUYEN XUAN HAO,
DEPUTY GENERAL SECRETARY OF THE VIETNAM TEXTILE AND APPAREL
ASSOCIATION (VITAS). MS. POLASKI WAS JOINED BY ECONOMIC
COUNSELOR CLAIRE PIERANGELO AND LABOR OFFICER LINDA SPECHT
(NOTE TAKER).

¶13. THE BRIEFING WAS CONDUCTED WITH THE UNDERSTANDING THAT
IT DID NOT INDICATE A DECISION ON THE PART OF EITHER VIETNAM
OR THE UNITED STATES ON WHETHER TO NEGOTIATE A TEXTILE
AGREEMENT OR WHAT SUCH AN AGREEMENT WOULD CONTAIN. HAVING
ESTABLISHED THAT UNDERSTANDING, MS. POLASKI FRAMED HER
BRIEFING IN TERMS OF THE LOGIC AND POTENTIAL BENEFITS TO
VIETNAM OF INCLUDING LABOR PROVISIONS IN A TEXTILE
AGREEMENT. MS. POLASKI INFORMED HER AUDIENCE THAT, UNDER
ITS TEXTILE AGREEMENT WITH THE U.S., CAMBODIA RECEIVES QUOTA

BONUSES LINKED TO SUCCESSFUL ENFORCEMENT OF ITS LABOR LAW, APPLICATION OF CORE INTERNATIONAL LABOR STANDARDS, AND IMPROVEMENTS IN WORKING CONDITIONS. SHE DID NOT DISCUSS SPECIFIC PROVISIONS OF THAT AGREEMENT.

14. MS. POLASKI REPORTED THAT THE APPROACH ADOPTED IN THE CAMBODIA AGREEMENT PRODUCED A "WIN-WIN" SITUATION FOR THE PARTIES IN WHICH TRADE POLICY REINFORCES GOOD DOMESTIC LABOR POLICY, IN TURN PROVIDING TANGIBLE BENEFITS TO CAMBODIA AND CAMBODIAN WORKERS. FIRST, AS A RESULT OF THE TEXTILE AGREEMENT AND QUOTA BONUSES, CAMBODIA'S FIVE-YEAR OLD TEXTILE AND APPAREL SECTOR HAD GROWN RAPIDLY AND NOW STANDS AT MORE THAN USD 1 BILLION IN TEXTILE AND APPAREL EXPORTS
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ANNUALLY. SHE NOTED THAT CAMBODIA REPORTS IT IS THE FIRST LEAST-DEVELOPED COUNTRY TO REACH THAT MARK. AND WORKERS HAVE BENEFITED: THE SECTOR NOW PROVIDES ROUGHLY 200,000 JOBS, WELL-PAID BY LOCAL STANDARDS. BUT PERHAPS MORE IMPORTANT, THE AGREEMENT HAS PROMOTED QUALITY GROWTH IN THIS KEY SECTOR. THE AGREEMENT PROVIDES FOR MONITORING OF FACTORIES BY THE INTERNATIONAL LABOR ORGANIZATION, FUNDED BY THE USG, THE CAMBODIAN GOVERNMENT AND THE CAMBODIAN APPAREL INDUSTRY. ACCORDING TO MS. POLASKI, THE EXISTENCE OF A CREDIBLE, NEUTRAL REVIEW OF LABOR PRACTICES IN THE APPAREL SECTOR HAS ATTRACTED BUYERS AND RETAILERS FROM THE U.S. WHO HAVE INVESTED HEAVILY IN THEIR REPUTATIONS AND BRANDS. SUCH BUYERS ARE WILLING TO PAY A PREMIUM FOR GOOD QUALITY MERCHANDISE AND QUALITY LABOR RELATIONS, AND CONSEQUENTLY, OFFER BETTER CONTRACT TERMS THAN OTHER BUYERS. SHE ALSO NOTED THAT THE AGREEMENT PROMOTED ECONOMIC AND POLITICAL STABILITY BY IMPROVING WORKING CONDITIONS AND LABOR RELATIONS AND PROVIDING ALTERNATIVES TO STRIKES TO RESOLVE LABOR DISPUTES.

15. VM TU EXPRESSED APPRECIATION FOR THE INFORMATION MS. POLASKI PROVIDED. HE ARGUED, HOWEVER, THAT, AS A LEADER OF THE INTERNATIONAL TRADING SYSTEM, THE UNITED STATES' PRIORITY SHOULD BE ON LOWERING BARRIERS TO TRADE. AND ON TEXTILES, ANY DECISION BY THE U.S. TO IMPOSE QUOTAS WOULD RUN COUNTER TO INTERNATIONAL TRENDS. ACCORDING TO VM TU,

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	MOF-01	AC-01	NSAE-00	NSCE-00	OES-01	OIC-02	OMB-01
	OPIC-01	PC-01	PRS-00	ACE-00	P-00	SP-00	SSO-00
	SS-00	STR-00	TEST-00	TRSE-00	USIE-00	EPAE-00	PRM-00
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SEVERAL COUNTRIES, INCLUDING CANADA AND NORWAY HAD ELIMINATED QUOTAS ON VIETNAMESE GARMENTS, AND THE EUROPEAN UNION WAS CONSIDERING DOING SO. FURTHERMORE, HE ARGUED, WTO MEMBERS HAD AGREED TO PHASE OUT QUOTAS UNDER THE AGREEMENT ON TEXTILES AND CLOTHING (ATC) BY JANUARY 2005 AND AGREED AT DOHA TO ACCELERATE THIS PHASE-OUT. THEREFORE, HE REASONED, THE UNITED STATES SHOULD NOT IMPOSE QUOTAS WHEN IT WAS IN FACT OBLIGATED TO BEGIN PHASING THEM OUT. (NOTE: AT DOHA, WTO MEMBERS DID AGREE TO CONSIDER PROPOSALS TO ACCELERATE REDUCTIONS AND/OR PHASE OUTS OF QUOTAS IN CERTAIN CASES BUT DID NOT AGREE TO ACCELERATE PHASE OUT OF THE ENTIRE QUOTA SYSTEM UNDER THE ATC. FURTHERMORE, THE UNITED STATES WOULD NOT BE OBLIGATED TO EXTEND THIS TREATMENT TO VIETNAM UNTIL IT JOINS THE WTO. END NOTE)

16. WITH RESPECT TO LABOR ISSUES, VM TU CLAIMED THAT VIETNAM'S LABOR CODE WAS "PROGRESSIVE" AND WORKING

CONDITIONS HERE COMPARED WELL WITH OTHER COUNTRIES IN THE REGION AND THOSE WITH SIMILAR LEVELS OF ECONOMIC DEVELOPMENT. HE REFRAINED FROM COMMENTING FURTHER ON THE SUBSTANCE OF MS. POLASKI'S PRESENTATION STATING THAT MOLISA, NOT MOT, HAD JURISDICTION AND EXPERTISE OVER LABOR ISSUES.

17. COMMENT: DESPITE VM TU'S MISINTERPRETATION OF THE RESULTS OF DOHA IN REGARDS TO THE ATC, HIS COMMENTS REFLECT THE GVN'S GENERAL DOUBTS AND RELUCTANCE ABOUT A TEXTILE AGREEMENT, REGARDLESS OF WHETHER IT INCLUDES LABOR

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PROVISIONS OR NOT. HOWEVER, AS REPORTED REF B, IN A SUBSEQUENT CONVERSATION WITH AMBASSADOR BURGHARDT, MINISTER OF TRADE VU KHOAN INDICATED A WILLINGNESS TO MEET TO "EXCHANGE VIEWS." NONETHELESS, THE BRIEFING BY MS. POLASKI WAS WELL RECEIVED, AND A NUMBER OF WORKING LEVEL PARTICIPANTS TOLD LABOR OFFICER THAT THE INFORMATION WAS VERY USEFUL. PRIOR TO THIS, THE GVN OFFICIALS HAVE RESPONDED VERY NEGATIVELY TO ANY HINT OF A POTENTIAL CONNECTION BETWEEN LABOR AND TEXTILES OR ANY OTHER TRADE ISSUE. THAT THE VIETNAMESE AGREED TO THE BRIEFING INDICATES THEY ARE IN A LISTENING MODE, GATHERING INFORMATION THEY NEED TO MAKE MORE INFORMED DECISIONS ABOUT HOW TO APPROACH US ON THE ISSUE OF TEXTILES AND RESPOND TO U.S. CONCERNS ABOUT LABOR CONDITIONS IN THIS SECTOR.

18. MS. POLAKSI CLEARED ON THIS MESSAGE.
BURGHARDT

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